

## **Item 1 – Cover Page**

# **ADV Part 2A Brochure** **DOMAIN CAPITAL ADVISORS, LLC**

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March 25, 2013

The brochure provides information on the qualifications, advisory business, fee arrangements, types of clients, investment strategies, code of ethics, custody policies and financial information of Domain Capital Advisors, LLC (“Domain Capital Advisors,” “Domain” or “Registrant”). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

If you have any questions about the contents of this brochure or would like to request a brochure, please contact John R. Luckett – Vice President and Chief Compliance Officer of Domain Capital Advisors, LLC at 770-628-0701 or by email at [jluckett@domaincapitaladvisors.com](mailto:jluckett@domaincapitaladvisors.com). Additional information about Domain Capital Advisors, LLC is available on the Securities Exchange Commission’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Domain Capital Advisors, LLC is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

## **Item 2 - Material Changes**

Material changes since our brochure filing last year include:

- Documents were amended to add an incentive fee component to the existing fee structure of some client investments. The client approved the change by signing the new fee exhibit document.
- Attempts to add new institutional clients will continue in 2013.
- One client investment will have its ongoing annual investment management fee waived beginning on January 1, 2013.
- An additional managing director and one associate were hired by the Registrant in late 2012 and early 2013.
- Domain relocated to its new office location in late 2012.
- Domain appointed the national accounting firm KPMG, LLP to be both its company auditor and the Registrant’s custody auditor for the year ended December 31, 2012.

These changes are more fully described in Items 6 and 7 herein. In addition, our advisory assets under management grew 15.98% from \$2,470,525,471 to \$2,865,255,277 as reflected in item 4 herein.

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## Item 4 - Advisory Business

Domain Capital Advisors, LLC provides investment management services to institutional investors (one current client). Domain Capital Advisors was organized on May 20, 2008 and is the successor entity to Domain Capital Advisors, Inc. (year 2002); SHLP Realty Advisors, Inc. (year 1998) and Raymond James Realty Advisors, Inc. (year 1989). Leardo Asset Management, LLC (“LAM”) is the principal owner of Domain Capital Advisors, LLC. Patrick R. Leardo is the sole member of LAM.

The majority (70%) of advisory services performed by Domain are supervisory services for existing investments. The remaining services (30%) include investment consultation and performing due diligence on potential investments. Domain manages investments on a non-discretionary basis. As of December 31, 2012, Domain had nine separate investments for one client, with an unaudited value of \$2,865,255,277. Real estate investments represent approximately 62% of assets under management and include multi-family, hotel and land developments; real estate funds and senior, subordinated and mezzanine loans on real estate related assets. The remaining 38% of assets under management represent alternative investments including social media investments; life settlement investments; opportunistic equity fund

investments; an entertainment catalog investment; a film production credits facility; a revolving line of credit facility and a subordinated note with an agricultural bank.

Domain tailors its advisory services to the individual needs of its client by accommodating unique business and investing strategies. Additionally, Domain allows our client to opt out of any investments that do not meet ethical or political persuasions of the client's organization.

## **Item 5 - Fees and Compensation**

Domain and its client jointly negotiate and document fees and compensation at the outset of each investment. The current fee structure can be a percentage of assets under management arrangement, a fixed fee arrangement or a hybrid of the two. Some investments also include an incentive fee based upon achieved return hurdles.

Fee documents can call either for a quarterly fee in advance or in arrears. Investments that begin or cease during the quarter are charged a prorated fee unless the fee document states otherwise.

In addition to the quarterly fee described above, Domain may negotiate a disposition fee subject to agreement by the client.

All fees are directly deducted from the client's account upon the payment due date. Upon dissolution or exiting of an investment, Domain will promptly refund any prepaid fees. The refund amount will be calculated by computing a percentage of the number of days that Domain did not manage the investment during the quarter over the total number of days in the calendar quarter. That percentage calculation will be multiplied the prepaid quarterly fee amount and the amount calculated will be returned to the client.

Clients have the option to purchase similar investments that Domain manages through other parties, such as brokers, agents, and other asset management firms not affiliated with Domain.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

Although Domain Capital Advisors may negotiate a disposition fee with its client upon the investment exit or disposition, Domain does not currently charge any ongoing performance-based fees.

Domain recently formalized an incentive fee arrangement with its client on certain investments.

## **Item 7 - Types of Clients**

Domain Capital Advisors provides investment advisory services exclusively to state institutional investors. As mentioned above, Domain currently has one client but is considering adding select prospective clients that are also institutional investors.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

Domain Capital Advisors bases its investment analysis on traditional real estate valuation and investment return models. Specific due diligence and acquisition techniques and information include traditional real estate information sources, market studies, broker appraisals, engineering studies, environmental reports, title examinations, survey and similar sources and take into account revenues, assets, markets, management services, earnings and financial structure, and other market-related factors. Although the majority of investment strategies implemented for our client are long-term, Domain continually monitors all investments for a profitable disposition strategy.

Material risks exist for each investment type included in Domain's assets under management include:

- Real estate investments, which represent approximately 62% of assets under management, are subject to risks including illiquidity, fluctuations in the value of the underlying properties, the effects of economic conditions on real estate values, changes in interest rates and risks related to renting properties, such as rental defaults.
- Subordinated debt has most of the risks described above and the special risk of the performance of the underlying assets.
- Life settlement investments share the illiquidity risk described above in addition to specific insurance industry risks including policy fraud, policy rescission and the negative publicity of this investment type.
- Social media investments can be speculative as the companies may be still in their incubation states.
- Entertainment catalog assets have the risk of falling out of favor with the public, which can diminish the cash flow and value of the catalog assets. In addition, catalog assets have a lot of competition.

Investments managed by Domain on behalf of its client have significant risk of loss. The client should be prepared to bear a complete loss of its investment.

## **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose herein material facts about any legal or disciplinary event that is material to a client or prospective client's evaluation of Domain's advisory business or the integrity of Domain Capital Advisors or its management personnel. This item is not applicable to Domain.

## **Item 10 - Other Financial Industry Activities and Affiliations**

Domain Capital Advisors serves as manager and 1% - 5% owner of six limited liability companies and is the non-member manager and 0% owner of a seventh limited liability company. The six limited liability companies are Domain GVA Management, LLC; Paloma, LLC; Northpark GP Associates, LLC; City Lights Management, LLC; Domain Alternate Money Management, LLC; and Domain Alternate Investment Management, LLC. The seventh limited liability company that Domain is a 0% owner but is the non-member manager is MWT Holdings, LLC. These six limited liability companies are the general partner or manager entity for each of the client's investments. The client owns the remaining 95% - 99% of the six limited liability companies. This arrangement does not create a conflict of interest because the client requires Domain to be the manager and minority owner.

Domain does maintain business relationships with accounting firms, legal firms, consulting firms and other organizations who assist in executing and managing investments for the client. Domain sees no conflict of interest with these relationships, however.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Domain Capital Advisors maintains a Written Supervisory Procedures and Code of Ethics ("Policy Manual") which key personnel read and acknowledge on an annual basis. The Policy Manual includes provisions relating to registration and licensing, compliance, books and records, fiduciary capacity, client accounts and documents, advertising, disclosure requirements, trading/prohibited transactions, outside securities transactions and insider trading policies. Initiated January 1, 2005, our Policy Manual was last amended January 2013. The Written Supervisory Procedures and Code of Ethics is available to all clients upon their request by writing Mr. John R. Luckett, 1230 Peachtree Street NE, Suite 3500, Atlanta, Georgia 30309.

The Code of Ethics Standards is contained within Sections 5.1 through 5.2.7, 8.1 and 9.1 of the Policy Manual. The Code of Ethics Standards state that Domain will:

- Work for the client's best interest;
- Provide detailed disclosure of all material facts involving advisory services agreements, advisory services rendered, compensation and conflict of interest;
- Treat client records and financial information with strict confidentiality;
- Strictly prohibit fraudulent or deceitful conduct including misrepresentation, nondisclosure of fees, and misappropriation of client funds;
- Uphold fiduciary obligation of loyalty to clients and reasonable independent basis for counsel; and
- Disclose information regarding business practices to regulators and members of the public.

As mentioned in Item 10 above and as disclosed in Item 7B of Domain's Form ADV, Domain Capital Advisors, LLC serves as the manager, non-member manager and/or minority owner of the entities in which the client invests. The non-discretionary role that Domain has in all client investments is referenced in Item 16.

## **Item 12 - Brokerage Practices**

Domain Capital Advisors, LLC and its related persons do not suggest brokers to our client, nor do we have investment or brokerage discretion including trade aggregation. Furthermore, Domain Capital Advisors, LLC does not compensate or otherwise reward any parties for client referrals.

Domain Capital Advisors neither receives nor pays for soft dollar benefits or arrangements.

## **Item 13 - Review of Accounts**

Domain Capital Advisors provides investment supervisory services by managing the investment accounts of its one client.

The review process, the individual responsible for the review and the reports issued are described below.

Review: Employees write all quarterly reports for our client. The vice president, chief compliance officer or a managing director review reports before distribution to the client. Domain notifies the client if significant appreciation or depreciation (>10%) occurs to the investment.

Reviewer: Domain's vice president, chief compliance officer and two managing directors share responsibility in the investment review.

Reports: Domain sends clients quarterly asset management packages that provide the investment net asset value and a summary of the quarterly and year-to-date operations of the investment. If applicable, the investment performance is compared to an industry benchmark such as Green Street. The client also receives annual independent audits of the investments and independent valuations.

Additional Oversight: In addition to the review processes above, there are times that an investment may need to be restructured due to deteriorating investment performance. When this occurs, Domain consults its client and at the client's direction, begins the restructuring process.

## **Item 14 - Client Referrals and Other Compensation**

Domain Capital Advisors does not compensate others for client referrals. Domain does receive economic benefit from one non-client in connection with giving advice to our client on two investments. The payment from this non-client is disclosed to, agreed to and documented to our client in our executed fee agreements, which both the client and Domain sign.

Domain Capital Advisors receives an annual fee totaling 50 basis points of the capital investment made into one of our client's investments and receives \$175,000 plus expenses annually for a second client investment. Domain believes that any conflict of interest presented by these payments are adequately addressed through disclosure and obtaining the written acknowledgement of the client.

Domain Capital Advisors received an annual fee of \$25,000 for board representation of a non-managed investment.

## **Item 15 - Custody**

Domain Capital Advisors maintains custody of client funds. Client funds include cash held at a qualified custodian in a bank account with the bank account titled under the investment name. Clients receive a monthly duplicate bank statement mailed directly from the bank that maintains the cash. Domain urges its client to review monthly bank statements and asks them to compare the bank statement balance to the reports sent by Domain. The bank statement balances may vary slightly from our reporting due to deposits in transit or uncleared checks. Domain prepares a report each month reconciling the report balance to the bank statement balance, and will share that reconciliation paperwork and supporting backup with its client upon request.

## **Item 16 - Investment Discretion**

Domain Capital Advisors does not have discretionary authority over client accounts. Our client determines investment goals, guidelines and restrictions. From those criteria, Domain performs due diligence on behalf of the client. Domain is responsible for the investment reporting process after Domain purchases the investment through a special purpose vehicle on behalf of our client.

## **Item 17 - Voting Client Securities**

Domain Capital Advisors does not have the authority to and does not vote proxies on behalf of our client.

## **Item 18 - Financial Information**

Every year, Domain is required to have a balance sheet audit. For the year ended 2011, Domain expanded this requirement to a balance sheet and income statement audit. As evidenced by our past Form ADV – Part 2 filings, Domain shares the annual audit results with our client. Domain has no financial condition that could impair its ability to meet our contractual commitments to our client.

Furthermore, Domain has not been the subject of a bankruptcy petition nor is it currently involved in a bankruptcy proceeding.

Domain will deliver to our client, the December 31, 2012 balance sheet and income statement audit upon completion.